



Director of
Central
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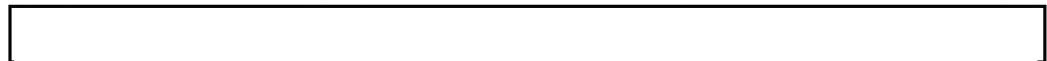
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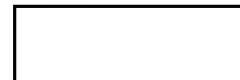
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The Overnight Reports, printed on yellow paper as the final section of the Daily, will often contain materials that update the Situation Reports and Briefs and Comments.



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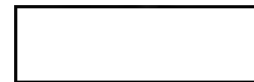
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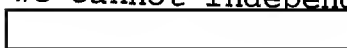
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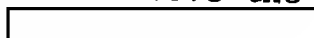
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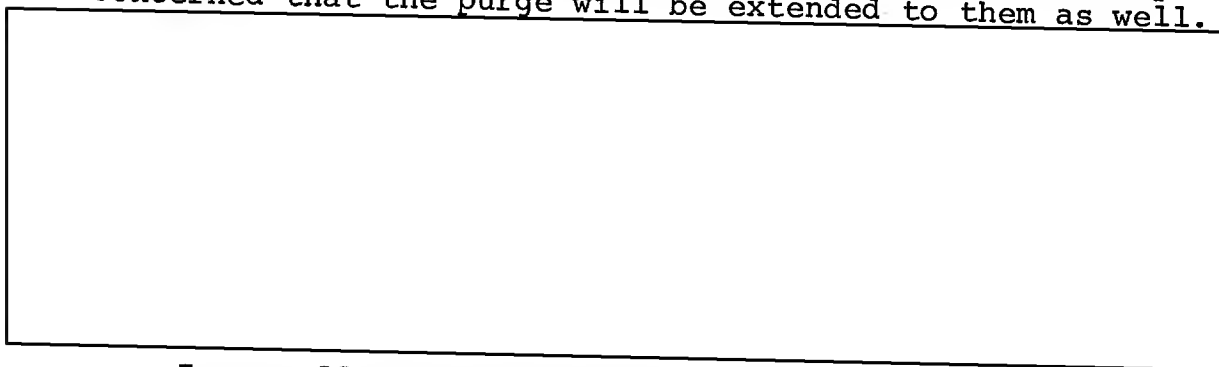
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The Iranian military collapsed as an effective force in the last days of the Bakhtiar government. Qarani told the press this week that the Army's strength is only about 50 percent of normal despite his appeals for deserters to return to their units. At this stage we cannot independently confirm the Army's actual strength.



The purge of senior officers is continuing to breed confusion in the military. Sources of the US defense attache report that the number of executed officers is growing but only the most prominent executions are being made public. Qarani has said that all officers above the rank of one-star general will be retired.  mid-level officers are very concerned that the purge will be extended to them as well.



In an effort to come to grips with the problem in the military, Bazargan yesterday appointed Rear Admiral Ahmad Madani as Minister for National Defense. Madani,

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[REDACTED]

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who just recently was appointed Commander of the Iranian Navy, has been described [REDACTED] as one of the few military officers in the Bazargan government who enjoy virtually unquestioned authority in the armed forces. The government also announced that it was establishing a new National Guard--"The Guardians of the Revolution"--but we have no details on its proposed composition or command structure. [REDACTED]

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The military's weakness is undoubtedly encouraging separatist elements to try to take advantage of the situation. Press reports indicate fighting has broken out between government forces and Kurdish separatists in Kordestan Province and adjacent areas this week. Vice Premier Entezam said yesterday that the military barracks in Mahabad had been seized by an unidentified group, and he warned that the government would crush any Kurdish rebellion. [REDACTED]

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Meanwhile, Vice Premier Yazdi told reporters yesterday that Iran will resume oil exports within a matter of days. Extremist groups in the oilfields, however, may be strong enough to prevent a substantial increase in production. [REDACTED]

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[REDACTED] output has been running at only 700,000 barrels per day or less in recent weeks. [REDACTED]

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It will take at least several days of increased production to refill crude oil tanks before exports can resume at even a low level. [REDACTED]

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[REDACTED] exports approaching the level of 2 to 3 million barrels per day would take several weeks. [REDACTED]

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[REDACTED]

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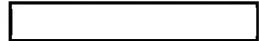
NATO: Concern over Iranian Situation

NATO's permanent representatives have registered their concern about the instability in Iran, their belief that the situation there is tied directly to Alliance security, and their intention to continue to consult closely on the subject. Implicit criticism of US handling of the Iranian situation ran through a long discussion held Tuesday. While the allies agreed they should consider steps that might prevent Iran from descending further into chaos, they were unable to produce any practical ideas apart from attempting to work bilaterally with the Khomeini-Bazargan regime.




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 took the lead, and his views were widely endorsed by the others. The most worrisome element in the current situation, he argued, was the removal of Iran as an obstacle to the southerly thrust of Soviet power and influence. He thought the coups in Pakistan and Afghanistan and the demise of the Central Treaty Organization combine with the events in Iran to strengthen the hand of the Soviets in the area. Although the loss of Iranian oil was causing great concern at the moment, he felt it might turn out to be a relatively minor element in the longer term.

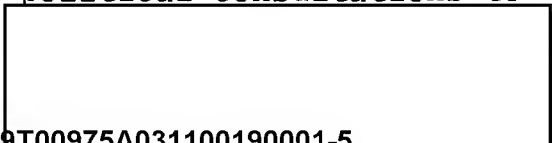


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 concluded by saying that the most significant threats to NATO's security in the next decade are likely to come from outside the North Atlantic Treaty area. The Alliance, therefore, should adjust and broaden its vision. This view is shared by most of the other allies, but it is stridently opposed by France, which insists that discussions ranging beyond NATO's geographic area be kept at the expert level or be held informally. Even though Tuesday's meeting was informal, the French chose not to take part.



Complaints heard steadily from the smaller NATO members since the Guadeloupe summit--to the effect that NATO's political consultation process is being undermined by restrictive meetings--derive in no small part from repressed frustration with the French and NATO's consequent inability to extend its political consultations to a broader range of subjects.



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FRANCE: Possible Export Curbs on Oil Products

A French official strongly implied to a US Embassy officer in Paris that France intends to impose export quotas on oil products if the domestic supply situation continues to worsen. Such action would most likely be directed against France's EC partners, particularly West Germany, and would be in clear violation of EC rules.

French refiners reportedly are favoring sales to West Germany at the expense of the home market. The French Government maintains a price control program for oil products and has not allowed domestic retail rates to rise enough to compensate for increases in the spot price of crude oil in European ports. West Germany, on the other hand, is allowing prices to climb. Imports of French oil products account for 2 to 3 percent of total West German oil consumption.

The French Government recently implemented an export licensing system for petroleum products. The system was described as an information-gathering device, but it would help the government quickly establish export quotas.

At recent cabinet meetings, the government decided to raise heating oil prices but kept gasoline prices constant to avoid further inflationary effects. It has made no decision yet whether to dip into France's strategic oil reserves. The French official stated that if Iranian oil shortfalls continued the government eventually would be forced to allow retail prices to climb to levels that would encourage refiners to produce for the domestic market. President Giscard has called for international energy cooperation and will raise the matter next month at the meeting of EC heads of state.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Italy

The US Embassy in Rome reports that Prime Minister - designate LaMalfa yesterday accepted President Pertini's formal request for him to form a government. LaMalfa, the head of the Republican Party, will begin his round of consultations today and will conclude them on Monday. Although he has indicated that he is against offering the Communists cabinet posts, he hopes to revive the agreement under which the Communists were one of the five parties supporting the government in Parliament. The Embassy believes that there is little LaMalfa can offer that Andreotti has not already tried, and gives LaMalfa little chance of success. [REDACTED]

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Algeria

According to the US Embassy in Algiers, the new government of President Bendjedid seems to be having great difficulty in working out its policies and making key appointments. Since 17 February, the leadership has been struggling with these tasks behind close doors. The Embassy believes that Bendjedid apparently is trying to shake out the deadwood and less capable officials left over from the Boumediene regime. [REDACTED]

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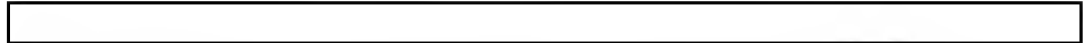
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Tanzania-Uganda



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there were no signs yesterday that Tanzanian forces inside Uganda were continuing their drive north toward the town of Masaka. Military activity appeared to have shifted to the areas just north of the Tanzanian border where small battles were being waged. 

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 Tanzania may be scaling down its military operations inside Uganda because of the Organization of African Unity meeting in Nairobi that begins today. 

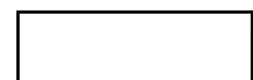
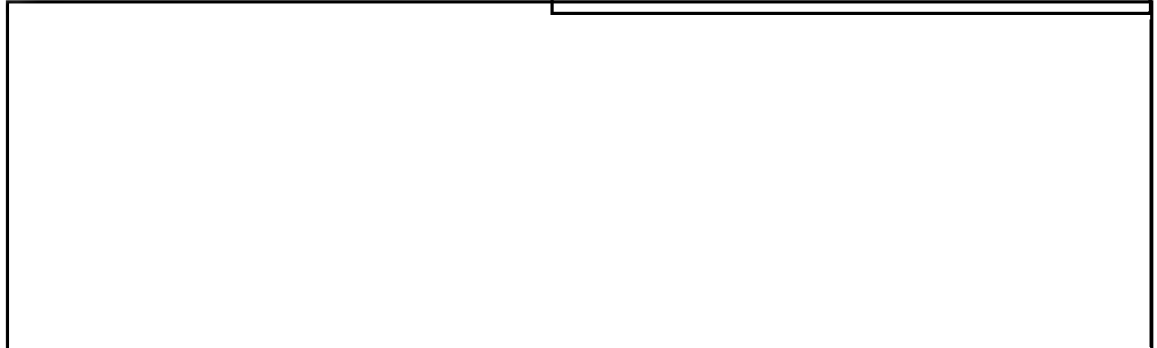
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USSR-Yugoslavia-Romania

The US Embassy in Moscow reports that the USSR is making clear through its media its displeasure with the positions adopted by Yugoslavia and Romania on events in Indochina. On Wednesday, *Pravda* attacked a Yugoslav newspaper for suggesting that the USSR is also "guilty of aggression" against Vietnam by vetoing the UN Security Council resolution on Kampuchea; two days earlier, Soviet television had insinuated Yugoslavian support of the Chinese invasion of Vietnam. In commenting on a recent Romanian statement on Indochina, Soviet media have observed that "there are no condemnations of Chinese aggression against Vietnam." 

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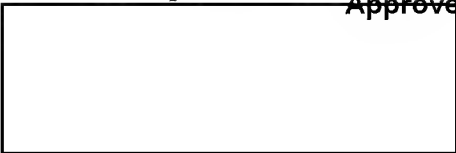


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